THE STATE OF STOREFRONTS:

ALARMING VACANCY RATES AND RISING RENTS DURING THE PANDEMIC

Analysis of new storefront registry data shows Council Districts where small businesses may face displacement pressures

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Association for Neighborhood & Housing Development

ANHD builds community power to win affordable housing and thriving, equitable neighborhoods for all New Yorkers. As a member organization of community groups across New York City, we use research, advocacy, and grassroots organizing to support our members in their work to build equity and justice in their neighborhoods and city-wide. We believe housing justice is economic justice is racial justice.

Executive Director, Barika X. Williams

ACKNOWLEDGEMENTS

Special thanks to United for Small Business NYC (USBnyc), a coalition of community organizations across New York City fighting to protect small businesses and non-residential tenants from the threat of displacement, with a focus on owner-operated, minority-run businesses that serve low-income communities of color. This report was made possible by the advocacy work of the coalition and deeply informed by our collaboration with members and the experiences of the many small business owners and merchants that they engage throughout New York City. Learn more at https://anhd.org/project/united-small-business-nyc-usbnyc.

ANHD is also grateful to our funders, Goldman Sachs and Santander Bank, who support ANHD's Equitable Economic Development work, including our focus on small business preservation and amplification in BIPOC and low-income neighborhoods. These funders, as well as ANHD's general operating support funders–the Mertz Gilmore Foundation, Robin Hood Foundation, Scherman Foundation and Trinity Wall Street Foundation–helped make this report possible.

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INTRODUCTION

During the past two years of the COVID-19 pandemic, New York City's commercial corridors have undergone significant shifts, with countless small businesses permanently shuttered and vacancies on the rise. Using the latest annual release of storefront registry data, we assess the state of storefronts as of December 2020, months after the pandemic first forced shutdowns in New York City. With insufficient funding from government programs and an inequitable distribution of the grant and loan programs that did get funding,[1] many small business owners lost revenue, owed rent, and were displaced from their commercial spaces.

Commercial displacement is of particular concern in BIPOC and immigrant neighborhoods where residents rely on local small businesses for essential, culturally relevant goods and services, as well as jobs. Even before the pandemic, small businesses were being priced out by rising rents, leading to destabilized commercial corridors and neighborhoods overall. Two years into the pandemic, organizers and advocates are increasingly concerned about high vacancy rates in neighborhoods largely made up of people of color and immigrants and the impact of rising rents on commercial displacement.

[1] https://anhd.org/blog/new-yorks-small-businesses-left-out-paycheck-protection-program

KEY TAKEAWAYS

- New York City's largest ethnic enclaves and gentrifying Council Districts have some of the highest vacancy rates in the City, which can lead to a scarcity of culturally relevant goods and services, as well as local jobs, and the destabilization of neighborhoods. For example, the Districts encompassing Flushing, Sunset Park, and Brighton Beach all have vacancy rates over 10%.

- Small businesses in predominantly BIPOC and immigrant neighborhoods are more likely to face rent hikes, harassment, and displacement and are being disproportionately impacted by rising storefront rents. Council Districts where storefront rents increased from 2019 to 2020 are home to 71.2% people of color, versus 42.0% people of color in Districts where rents decreased.

BACKGROUND

For years leading up to the passage of Local Law 157 in 2019,[2] the Association for Neighborhood and Housing Development (ANHD) and United for Small Business NYC (USBnyc) – a coalition of community organizations across New York City fighting to protect small businesses and commercial tenants from the threat of displacement – advocated for public storefront data that organizers and advocates could use to support the push for anti-displacement policy. A major win for commercial tenants, Local Law 157 required that the New York City Department of Finance (DOF) collect data on commercial rents, lease terms, and vacancies, and annually make this data public in a searchable database.

DOF first released this storefront registry data in 2020, covering the year 2019, and ANHD took a close look at the state of storefronts in NYC before the pandemic.[3] Now, with a second release of data in 2021, we have two years of data, allowing us to assess trends over time and evaluate the impact of the pandemic on commercial spaces.

Looking at both vacancy and rent data provided in the storefront registry dataset, ANHD's analysis aims to understand the state of storefronts at the height of the pandemic, identify patterns, and explore links between vacancies, rising rents, and commercial displacement. To support anti-displacement organizing efforts, ANHD's analysis of storefront registry data identifies Council Districts where high vacancy rates and rising rents amplify the threat of displacement.

2 https://anhd.org/blog/victory-commercial-tenants

3 https://anhd.org/blog/storefront-registry-will-help-small-businesses-combat-speculation

4 https://www1.nyc.gov/assets/planning/download/pdf/planning-level/housing-economy/assessing-storefront-vacancy-nyc.pdf

5 https://citylimits.org/2017/12/05/diagnosing-nycs-vacant-storefront-problem/

FINDINGS

Patterns in Storefront Vacancies

Some amount of vacancy makes it possible for small business owners to find commercial space to start up in or move to, but a high vacancy rate, especially when it persists over years, can indicate underlying neighborhood-level concerns,[4] such as:

- High and/or rising rents, which can force businesses not making enough revenue to shutter
- Rapid development of new storefronts, sometimes associated with a rezoning,[5] in a gentrifying area that outpaces commercial tenant demand
- Property owners holding out or "warehousing" space for higher-paying tenants like large national retailers, which may be incentivized by their loan terms
- Historic public disinvestment in a neighborhood leading to economically challenging conditions for small businesses

These factors play out differently in different neighborhoods. Particularly in neighborhoods that have faced historic disinvestment and are now facing gentrification, residents and small business owners – including microentrepreneurs and street vendors looking for brick-and-mortar space – do not benefit from local economic development and commercial revitalization and instead become vulnerable to displacement. Two years of storefront vacancy data currently available from DOF, before and during the pandemic, allows us to investigate recent patterns in storefront vacancies and the impacts of COVID-19, while recognizing the nuanced local economies across New York City.

Where are vacancies occurring?

The most recent and comprehensive data on storefront vacancies was reported on December 31, 2020, providing a vivid snapshot of New York City's businesses at the height of the pandemic. At 14.2%, Manhattan's vacancy rate was well over the citywide vacancy rate of 10.6% and that of other boroughs. Brooklyn was second highest, at 10.4%.

STOREFRONT VACANCIES 2020

BOROUGH	TOTAL STOREFRONTS	VACANT STOREFRONTS	% VACANT
Manhattan	25,975	3,692	14.2%
Bronx	10,142	665	6.6%
Brooklyn	17,004	1,762	10.4%
Queens	15,563	1,264	8.1%
Staten Island	3,079	241	7.8%
Citywide	**71,763**	**7,624**	**10.6%**

These figures include class 2 and 4 vacancy statistics. Vacancy is defined as the number of storefronts not leased or occupied by the owner divided by the number of total storefronts.

Source: NYC Dept of Finance, Storefront Registration Class 2 and 4 Statistics via NYC Open Data portal.

Manhattan also saw the largest change in vacancy rate between 2019 and 2020. Given the many businesses in Manhattan that rely on foot traffic from tourists, commuters, and employees, it makes sense that Manhattan's storefronts would see the greatest impact from limited activity during the pandemic. Brooklyn and Queens saw large increases in vacancy rates as well, while the Bronx and Staten Island saw very slight decreases. Overall, the City's vacancy rate increased by 34.3%.

STOREFRONT VACANCY CHANGE 2019-2020

Net and % change in vacancy by borough

BOROUGH	2019 VACANCY RATE	2020 VACANCY RATE	DIFFERENCE	% CHANGE
Manhattan	9.0%	14.2%	5.2%	58.1%
Bronx	6.6%	6.6%	-0.1%	-0.9%
Brooklyn	8.3%	10.4%	2.0%	24.4%
Queens	6.5%	8.1%	1.6%	24.9%
Staten Island	7.9%	7.8%	-0.1%	-0.9%
Citywide	**7.9%**	**10.6%**	**2.7%**	**34.3%**

Rate as December 31 of each year.

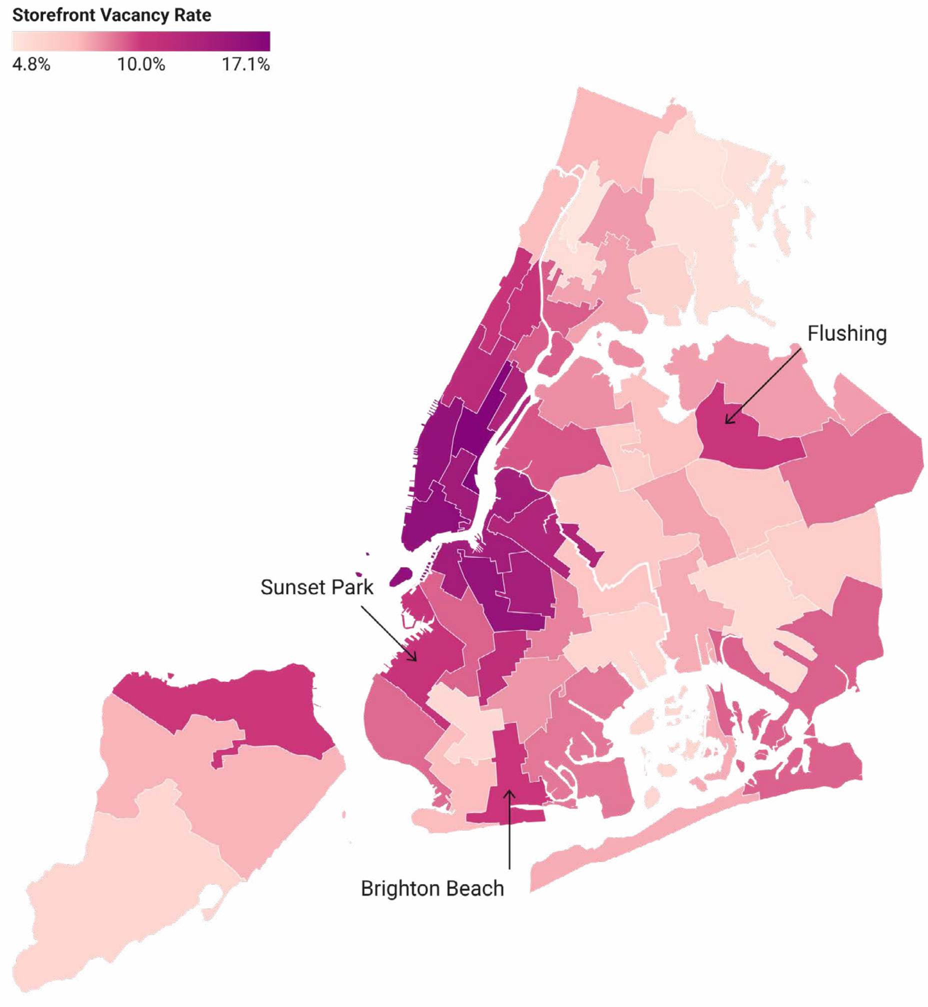
Source: NYC Dept of Finance, Storefront Registration Class 2 and 4 Statistics via NYC Open Data portal.

Looking at the data by Council District reveals many similar patterns in storefront vacancies, but we can also see some nuances that are concealed at the borough level. **The highest vacancy rates are concentrated in lower and midtown Manhattan (Council Districts 1, 2, 3, and 4), and in North and Central Brooklyn (Council Districts 33, 34, 35, and 36)**. Sixteen out of New York City's 51 Council Districts had vacancy rates exceeding 10%, which the Department of City Planning cites as the high end of the healthy range.[6]

[6] https://www1.nyc.gov/assets/planning/download/pdf/planning-level/housing-economy/assessing-storefront-vacancy-nyc.pdf

VACANCIES EXCEEDED 10% IN MANY OUTER-BOROUGH ETHNIC ENCLAVES

Vacant storefronts as a percentage of all storefronts by Council District, 2020



Source: NYC Dept of Finance, Storefront Registration Class 2 and 4 Statistics via NYC Open Data portal. View the interactive version at anhd.org/report/state-of-storefronts.

Who is impacted by high vacancy rates?

Evidently, high vacancy rates impact a variety of neighborhoods, but a high vacancy rate does not indicate a uniform experience across New York City. While a high vacancy rate in Midtown Manhattan might indicate a loss of businesses that serve office workers and tourists, a similarly high vacancy rate in Flushing, Queens could be due to the closure of culturally specific retailers which residents depend on. Storefront vacancies in more affluent neighborhoods may be inconvenient, but are less likely to limit residents' access to culturally relevant and affordable goods and services.

Many Council Districts with high vacancy rates encompass some of New York City's largest ethnic enclaves, including Manhattan's Chinatown (CD 1), Flushing's Chinatown (District 20), Sunset Park's Chinatown (CD 38), as well as Brighton Beach's large Eastern European immigrant population (CD 48). **Gentrifying areas are also prevalent within high-vacancy Council Districts**. Districts 34, 35, 36, and 40 represent gentrifying, historically Black neighborhoods such as Fort Greene, Crown Heights, Bedford-Stuyvesant, and Flatbush. Council Districts 35 and 36 also had the highest vacancy rates in the city in 2019, upwards of 14%, as noted in ANHD's previous storefront vacancy analysis.[7]

For now, the most recent data tells us that a wide variety of neighborhoods and residents are impacted by high vacancy rates, particularly in Manhattan and Brooklyn. Yet, a high vacancy rate in BIPOC and immigrant neighborhoods may indicate long-term neighborhood changes and displacement, rather than shorter-term demand shocks likely caused by the pandemic.

[7] https://anhd.org/blog/storefront-registry-will-help-small-businesses-combat-speculation

Patterns in commercial rents

Rents are a key concern for small businesses, especially those operating in BIPOC and immigrant neighborhoods. Commercial tenants lack the baseline protections that residential tenants have and often experience unreasonable rent hikes, harassment, and displacement. Any rights that commercial tenants do have must be negotiated in their lease, but many immigrant small business owners do not have a lease in their name,[8] leaving them at even greater risk. During the pandemic, countless businesses lost considerable revenue and yet were expected to pay rent without sufficient support from city, state, or federal programs. Many of these businesses still owe months of back-rent.

STOREFRONT RENTS CHANGE 2019-2020

Net and % change in median monthly rents per square foot by borough

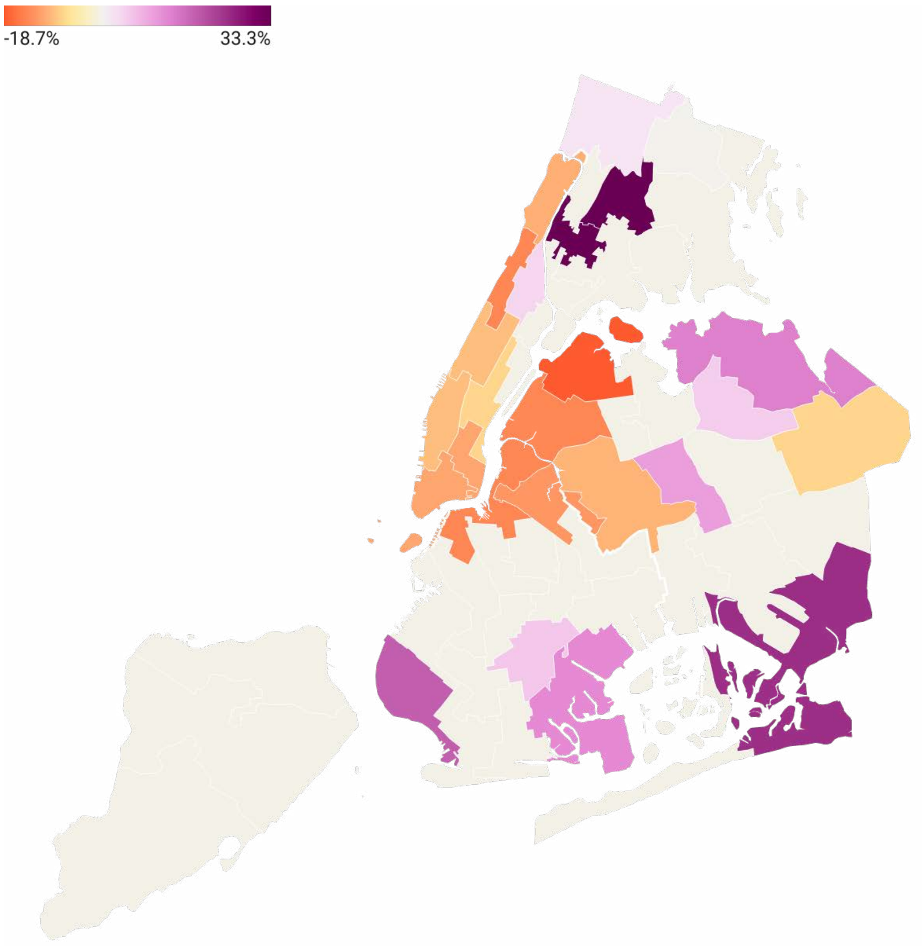
GEOGRAPHY	2019 MEDIAN MONTHLY RATE PER SQUARE FOOT	2020 MEDIAN MONTHLY RATE PER SQUARE FOOT	CHANGE IN MEDIAN MONTHLY RATE PER SQUARE FOOT	% CHANGE IN MEDIAN MONTHLY RATE PER SQUARE FOOT
Citywide	$4.51	$4.25	-$0.26	-5.8%
Bronx	$9.01	$8.00	-$1.00	-11.1%
Bronx	$3.00	$3.18	$0.18	6.0%
Brooklyn	$3.19	$3.08	-$0.11	-3.4%
Queens	$3.67	$3.53	-$0.14	-3.8%
Staten Island	$3.00	$3.00	$0.0	0.0%

Source: NYC Dept of Finance, Storefront Registration Class 2 and 4 Statistics via NYC Open Data portal.

[8] https://anhd.org/report/forgotten-tenants-new-york-citys-immigrant-small-business-owners

STOREFRONT RENTS MOSTLY INCREASED IN OUTER-BOROUGH NEIGHBORHOODS OF COLOR

Percent change in median monthly rentper square foot of storefronts by Council District, 2019-2020



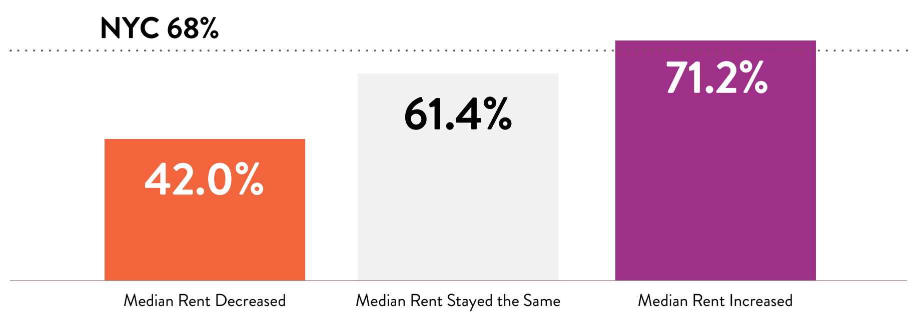
Source: NYC Dept of Finance, Storefront Registration Class 2 and 4 Statistics via NYC Open Data portal. View the interactive version at anhd.org/report/state-of-storefronts.

Where did commercial rents increase?

Alarmingly, some outlying Council Districts experienced increases–by as much as $1 per square foot–in commercial rent. Commercial rents increased over 33% in the South Bronx (CDs 15 and 16), 25% in Far Rockaway (CD 31), and almost 19% in Bay Ridge (CD 43). **Increasing commercial rents create commercial displacement pressure in the low-income communities of color who live in many of these districts, with ripple effects on local jobs and residents' ability to access essential goods and services.** Around 90% of CDs 15, 16, and 31 identify as people of color, versus 68% citywide. Residents of CDs 15 and 16 also earn substantially less than households across the city – approximately $30,000 per year, versus $64,000 citywide – and are more likely to be rent burdened (62% versus 53% citywide).

DISTRICTS WHERE RENT INCREASED ARE HOME TO MORE PEOPLE OF COLOR

Proportion of people of color living in Council District where median rent decreased, stayed the same, and increased.



People of color is defined as individuals who self-identify as any race other than white. Census Tract-level demographic data was aggregated into Council Districts by taking the centroid of each Census Tract and summarizing the point data into Council District boundaries.

Sources: Census American Community Survey 2020 5-Year Estimates, NYC Dept of Finance, Storefront Registration Class 2 and 4 Statistics via NYC Open Data portal.

Separating Council Districts into groups based on their trends in storefront rents, these patterns become even starker. **Council Districts where median storefront rents increased are home to much higher proportions of people of color on average: 71%, versus just 42% in Districts where median storefront rents decreased**. It is clear that small businesses in BIPOC communities are being disproportionately impacted by rising storefront rents and the associated commercial displacement pressure.

Where did commercial rents decrease?

Meanwhile, commercial rents decreased modestly in Central and Lower Manhattan, countering expectations that landlords might substantially decrease rents to attract tenants as the pandemic made it harder to do business. As a result, rents in this area remain some of the highest in the city – as high as $13.00 per square foot in Council District 4.

Gentrified Council Districts outside the Manhattan central business district experienced the greatest decreases in commercial rents. Commercial rents decreased by almost 19% in Astoria (CD 22), followed by decreases around 14% in North Brooklyn (CD 33), North Manhattan (CD 7), and North Queens (CD 26). One possible explanation is that rents in these neighborhoods, which largely gentrified in the prior decade, were inflated before the pandemic due to unrealistic expectations of commercial development and the pandemic may have caused a steeper drop in rents than in the long-expensive Manhattan central business district.

CONCLUSION

ANHD's citywide analysis of vacancies and median rents from 2019-2020 revealed troubling vacancy rates in outer-borough ethnic enclaves such as Flushing, Chinatown, Sunset Park, and Brighton Beach, as well as alarming increases in rents in predominantly immigrant and people of color neighborhoods.

Addressing high rates of storefront vacancy means addressing landlords' unregulated ability to raise rents and hold storefronts vacant. Commercial tenants, without robust legal protections and meaningful government support, are left vulnerable to displacement, which not only impacts the livelihood of small business owners but also the overall stability of the neighborhood. Particularly in neighborhoods where residents rely on local small businesses for culturally relevant goods and services, as well as jobs, thriving commercial corridors are essential to neighborhood stability.

Over the next year, ANHD will analyze this data at a more detailed neighborhood level and partner with neighborhood-based organizations to survey commercial corridors across the City to better understand local impacts and the experiences of merchants facing commercial displacement.

FOOTNOTES:

Limitations

Storefront registry: Because the Department of Finance's storefront registry has only existed for two years, we could not investigate or make definitive conclusions about how rent increases impact storefront vacancies and displacement. Several characteristics of the registry itself also limited the scope of our analysis.

- No data on business size (small business versus a big box retailer) or owner (BIPOC, immigrant)
- Because vacancy data is incomplete in both years for the June 30th collection date, we could only assess vacancy at one point in time each year (12/31/2019 and 12/31/2020).
- Rent data for each individual storefront is unavailable. Additionally, aggregate data on median monthly rents are not available for tax class 1 storefronts but are for tax class 2 and 4 storefronts, excluding a small portion of storefronts from our analysis of commercial rents.[9]
- While the Department of Finance publishes meaningful aggregate data points like the median number of years storefronts were vacant in a Council District, these fields will not become useful until more than two years of data are collected. For example, the median number of years storefronts were not leased and not owner occupied is currently 1 for each Council District in the city.

Data sources

Since 2019, the Department of Finance has released several datasets related to storefront vacancies each year.[10] Individual property-level data tells us whether each storefront was vacant or not on December 31st of 2019 and 2020.[11] A second dataset contains aggregated median monthly rents at the citywide, Borough, Council District, and Census Tract levels each year.[12]

We grouped our analysis by Council District and provided context on the economic and demographic conditions of each District using Census data. We obtained this data directly from the US Census Bureau's 2016-2020 American Community Survey (ACS) 5-Year estimates and through the Department of City Planning's NYC Population FactFinder tool,[13] which provides 2006-2010 and 2015-2019 ACS 5-Year estimates. We aggregated Census Tract-level demographic data into Council Districts by taking the centroid of each Census Tract and summarizing the point data into Council District boundaries.

[9] *The definition of each tax class is explained at https://www1.nyc.gov/site/finance/taxes/definitions-of-property-assessment-terms.page.*

[10] *https://www1.nyc.gov/site/finance/taxes/storefront-registry.page*

[11] *https://data.cityofnewyork.us/City-Government/Storefronts-Reported-Vacant-or-Not/92iy-9c3n*

[12] *https://data.cityofnewyork.us/City-Government/Storefront-Registration-Class-2-and-4-Statistics/dxru-eun8*

[13] *https://popfactfinder.planning.nyc.gov*

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